



11 February 2021

Anna Collyer
Chair
Australian Energy Market Commission

Lodged online: www.aemc.gov.au

Dear Ms Collyer,

AEMC: INTEGRATING ENERGY STORAGE SYSTEMS INTO THE NEM – OPTIONS PAPER

Origin Energy Limited (Origin) welcomes the opportunity to provide comments to the AEMC on the integrating energy storage systems into the NEM options paper.

Our key points are:

- **Process and governance:** The options put forward rely on longer-term reform work that is yet to be detailed and finalised. Broader registration and scheduling questions (such as different scheduling obligations or a universal participant category) should be examined by the ESB through the post-2025 work on two-sided markets. This rule change should focus on addressing any immediate issues aimed at better incorporating storage systems, including hybrids, under existing frameworks.
- **Registration and scheduling:** Option 3 has merit compared to the status quo given that it simplifies the registration process for storage devices within the current framework. However, more details are needed to ensure there are net benefits. We do not support progressing option 4 – it is premature to design a universal participant category while the ESB's work is still under way.
- **Non-energy cost recovery:** We support recovering non-energy costs in a consistent manner across all market participants based on consumed and sent out energy at the connection point, without netting.

We provide more details on these three areas below.

Area	Comment
Process and governance	<ul style="list-style-type: none">• This rule change overlaps with the ESB's work on two-sided markets and with a separate rule change on lowering registration thresholds, both of which are currently in progress.• Some aspects (e.g., the concept of 'scheduling lite', the idea of reducing the generation registration threshold to 1MW and the concept of a universal participant category) of the two additional options for registration and scheduling put forward in the options paper rely on the outcomes of these related work programs.• It is unclear how they are being coordinated and prioritised. We are concerned that the current process may delay addressing shorter term issues while also limiting stakeholders' ability to provide comprehensive feedback due to the uncertainty of the options presented to us.• The AEMC should clarify how these projects are being coordinated and the work should be appropriately sequenced to ensure effective consultation.• As noted in our submission to the consultation paper, broader registration and scheduling questions should be examined by the ESB through the post-2025 work on two-sided markets. These broader issues are more suited to longer-term, holistic market design work. This rule change should focus on

	<p>addressing any immediate issues aimed at better incorporating storage systems, including hybrids, under existing frameworks.</p> <ul style="list-style-type: none"> Any further changes required as a result of the two-sided market work should only be progressed once the ESB has concluded its processes, not in parallel.
Registration and scheduling	<p><u>Option 3</u></p> <ul style="list-style-type: none"> Option 3 has some merit as it simplifies the existing process for storage proponents while providing a solution that can be implemented through the existing participant categories. However, more details on the specific design features are needed to ensure there are net benefits: <ul style="list-style-type: none"> For example, if too many variations are needed for hybrid facilities, this option may not necessarily be simpler than current arrangements. Scheduling hybrids at the connection point may be appropriate for some configurations (e.g., where it is clear that the hybrid system can be “dispatchable”) but some flexibility may be needed for other types of hybrids. A dynamic scheduling obligation to capture this may be complex to administer, while a simpler approach (e.g., specific thresholds for scheduling hybrids at the connection point) could be explored. More work is needed to understand how scheduling would work in practice under these options. Similarly, flexibility may be needed for performance standards for some hybrid facilities. <p><u>Option 4</u></p> <ul style="list-style-type: none"> It is premature to introduce Option 4 given that the ESB has yet to conclude its work on two-sided markets to inform universal participant categories. A 1MW scheduling threshold would be too low. The costs of compliance would likely exceed any benefits to the system. Scheduling thresholds should be consistent with the outcomes of the generation registration threshold rule change, which is examining reducing the threshold from 30MW to 5MW.
Non-energy cost recovery	<ul style="list-style-type: none"> We support the new option proposed by the AEMC to recover non-energy costs from all market participants based on consumed and sent out energy rather than through netting. This better reflects the causer pays principle. We also understand that it will address the issues raised by AEMO in terms of settling market customers during zero or negative regional demand conditions once global settlement is implemented.

Should you have any questions or wish to discuss this submission further, please contact Sarah-Jane Derby at Sarah-Jane.Derby@originenergy.com.au or by phone, on (02) 8345 5101.

Yours sincerely



Steve Reid
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